

# **City Council & Public Financing Authority**

## **Lease Revenue Bonds, Series 2019**

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*Finance Director*



**FEBRUARY 12, 2019**



# AGENDA

1. Objective
2. Review 2000 COPs
3. Finance Team Members
4. Lease Revenue Bond Refinancing
5. Debt Issuance Process
6. Tonight's Actions
7. Questions





# OBJECTIVE

- **Request to City Council:** Adopt a resolution of the City Council of the City of San Bruno approving the official statement and purchase contract in connection with the lease financing, and approving related documents and official actions.
- **Request to Public Financing Authority:** Adopt a resolution of the San Bruno Public Financing Authority approving the official statement and purchase contract in connection with the issuance of lease revenue bonds, and approving related documents and official actions.



# REVIEW OF 2000 CERTIFICATES OF PARTICIPATION

- In 2000, the City issued **\$9,600,000** Certificates of Participation (COPs) to fund the construction of the Police Facility.
- The debt service payments of approximately **\$650,000** per year are an obligation of the City's General Fund.
  - Paid by the Successor Agency, formerly the Redevelopment Agency, from tax revenues, or formerly tax increment revenues, that are included on the Successor Agency's annual ROPs.
  - Recognized Obligation Payment Schedule (ROPs)
  - Reimbursement Agreement between the City and the Redevelopment Agency dated December 1, 2000.



## REVIEW OF 2000 CERTIFICATES OF PARTICIPATION

- Presently, the 2000 COPs remaining principal is **\$5,995,000** that bears interest at a rate of **5.15%** to **5.25%**.
- The February 1, 2019 principal payment of **\$335,000** was paid from tax revenues from the FY2018-19 ROPs.
- The remaining principal of **\$5,660,000** is proposed to be refunded.



# FINANCE TEAM MEMBERS

- **Bond/Disclosure Counsel** – Jones Hall
- **Municipal Advisor** – Fieldman, Rolapp & Associates
- **Bond Underwriter** – Prager & Company
- **Trustee** – MUFG Union Bank
- **Rating Agency** – Standard & Poor's





# LEASE REVENUE BONDS, SERIES 2019

## DEBT ISSUANCE STRUCTURE

- Issuance of 2019 **Lease Revenue Bonds** (LRBs) secured by the General Fund, but paid from Tax Revenues per the Amended Reimbursement Agreement.
- 2019 LRBs will be paid at the same lien level as the 2000 COPs.
  - No Debt Service Reserve Fund
  - Fixed rate
  - A 12-year term – no change from current term
  - Level debt service
- It is estimated that the 2019 LRBs will produce net Present Value Savings of **12.0%** (exceeding GFOA and City policy standards).
  - The average annual reduction in debt service payments will be approximately **\$128,000**.
  - City's annual share is approximately **\$19,000**.
  - Estimated True Interest Cost will be **2.78%**.
  - Net Present Value savings over life of indebtedness of **\$1.5 Million**





# S&P CREDIT RATING

- S&P Credit Rating: **AA+**
- “Very High Grade Credit” rating
- Very strong economy
- Strong management
- Good financial policies and practices
- Strong budgetary performance with operating surpluses
- Strong budget flexibility and liquidity

	Moody's	Fitch	S&P
Highest grade credit	Aaa	AAA	AAA
Very high grade credit	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
High grade credit	A1, A2, A3	A+, A, A-	A+, A, A-
Good credit grade	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BBB-	BBB+, BBB, BBB-
Speculative grade credit	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
Very speculative credit	B1, B2, B3	B+, B, B-	B+, B, B-
Substantial risks - In default	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D





# DEBT ISSUANCE PROCESS

Item	Date	Status
City Council, Authority and Successor Agency approval to proceed	11/13/18	
County Oversight Board approval to proceed	11/28/18	
Request to Department of Finance requesting approval of Amended Reimbursement Agreement	11/28/19	
Department of Finance approval received	1/9/19	
Secure underlying credit rating	2/6/19	
City Council and Authority approval of official statement and purchase contract	2/12/19	
Negotiate sale of bonds	2/21/19	
Close bonds	3/21/19	



## TONIGHT'S ACTION

- **Request to City Council:** Adopt a resolution of the City Council of the City of San Bruno approving the official statement and purchase contract in connection with the lease financing, and approving related documents and official actions.
- **Request to Public Financing Authority:** Adopt a resolution of the San Bruno Public Financing Authority approving the official statement and purchase contract in connection with the issuance of lease revenue bonds, and approving related documents and official actions.

# Questions

